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ABSTRACT

This report provides information on the uses of federal education funds for administration, instruction, and other purposes, as required under Section 14204(a) of the Elementary and Secondary Education Act (ESEA), by examining alternate definitions of administrative spending, analyzing available data collected by the U.S. Department of Education and other sources, and reviewing other studies of administrative spending. The key issues examined include: "How is administrative spending defined in various reports, data collections, and federal education laws or guidance?"; "What issues should be considered in developing a definition for administrative costs in federal education programs?"; "What percentage of federal education funds are spent for administration, instruction, and other purposes at the state, district, and school levels?"; "What percentage of federal education funds reach school districts, schools, and classrooms?"; "What other agencies receive federal education funds and why?"; "How do the uses of federal education funds compare to the uses of state and local funds?"; and "How do states, districts, and schools spend administrative and other noninstructional funds?" The report utilizes data, drawn primarily from the 1995-96 school year, on allocations and expenditures for a number of major federal education programs that provide support for elementary and secondary education. (RJM)

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The Use of Federal Education Funds for Administrative Costs

U.S. Department of Education
Office of the Under Secretary
Planning and Evaluation Service
Elementary and Secondary Education Division

1998

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The Use of Federal Education Funds for Administrative Costs was prepared by Stephanie Stullich, Program Analyst in the Planning and Education Service, Office of the Under Secretary. This report benefits from the use of state- and district-level information based on the Coopers & Lybrand Financial Analysis Model provided by Gary Glenn, South Carolina Department of Education; Jane Correia, Rhode Island Department of Elementary and Secondary Education; and Lynn Ruhl, Milwaukee Public Schools. Larry Maloney of the U.S. Chamber of Commerce provided useful information about the Coopers & Lybrand model. The analysis of this data was performed by the U.S. Department of Education, and no official support or endorsement of this report by those state and local agencies or by Coopers & Lybrand is intended or should be inferred. Beth Sinclair of Westat, Inc., obtained and compiled much of the state- and district-level data.

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EXECUTIVE SUMMARY

Public concern about administrative spending in education is often driven by a perception that money not spent at the school or classroom level is money that does not affect student learning. Some researchers have reported very low percentages of school district funds being spent on instruction, causing people to wonder: where does all the money go? The concern may be heightened by wide variations among different data sources and studies in the share of funds used for instruction and administration. While these disparities may be due in part to differences among the particular school districts included in the various analyses, they also are strongly affected by the definitions and rules used to classify particular expenditures as instruction, administration, and other categories.

This report provides information on the uses of federal education funds for administration, instruction, and other purposes, as required under Section 14204(a) of the Elementary and Secondary Education Act (ESEA), by examining alternate definitions of administrative spending, analyzing available data collected by the U.S. Department of Education and other sources, and reviewing other studies of administrative spending.

Key issues examined in this report include:

- How is administrative spending defined in various reports, data collections, and federal education laws or guidance, and in what ways do these definitions differ?
- What issues should be considered in developing a definition for administrative costs in federal education programs?
- What percentage of federal education funds are spent for administration, instruction, and other purposes at the state, district, and school levels?
- What percentage of federal education funds reach school districts, schools, and classrooms? What other agencies receive federal education funds and why?
- How do the uses of federal education funds compare to the uses of state and local funds?
- How do states, districts, and schools spend administrative and other noninstructional funds?

The report utilizes data on allocations and expenditures for a number of major federal education programs that provide support for elementary and secondary education, relying primarily on data for the 1995-96 school year obtained from two sources:

- A U.S. Department of Education data collection on the distribution of state-administered federal education funds for FY 1995 (which corresponds to the 1995-96 school year). The "GEPA 424" report, mandated under Section 424 of the General Education Provisions Act, provides information on the distribution of funds for a wide range of federal programs supporting elementary and secondary education, including the amounts retained at the state level and allocated to school districts and other agencies.

- Data from the Coopers & Lybrand Financial Analysis Model provided by Milwaukee, by South Carolina for 33 of its school districts, and by Rhode Island for seven of its districts, as well as published data for 13 other school districts for earlier school years. This source provides information about the uses of federal education funds at the district and school levels for instruction, instructional support, administration, and other purposes. The Coopers and Lybrand model provides detailed information on expenditures from Title I funds as well as "general education" funds, but does not usually break out spending data for other federal programs. However, South Carolina has adapted the model to enable separate reporting for the federal Safe and Drug-Free Schools, Vocational Education and IDEA special education programs.

In addition, the report also utilizes earlier data from the U.S. General Accounting Office (GAO), the National Assessment of Chapter 1,¹ and the National Center for Education Statistics (NCES).

When examining the use of education funds for administration, it is also important to see the larger picture of where the rest of the money is going. Consequently, this report discusses the uses of federal and other education funds for administration in the context of other uses of the funds — including instruction, professional development, curriculum development, and student support services — in order to provide a more complete picture of where the federal education dollar goes.

Definitions of Administrative Spending

Wide variations among different data sources and studies in the share of funds used for instruction and administration can result from differences in the definitions and rules used to classify particular expenditures as instruction, administration, and other categories. This report describes various definitions of administrative costs and activities described in law and guidance, definitions used by researchers, and issues that should be considered in developing a definition of administrative costs for federal education programs.

Although the Elementary and Secondary Education Act does not contain a general definition of administrative expenditures that state and local education agencies must use for covered programs, individual program statutes sometimes describe categories of administrative expenditures as well as other state-level activities that are listed in addition to state administration, and the distinction between administrative or as "other" state-level activities is not always consistent across the various statutes. For example:

- Developing standards and assessments is considered a Title I state administrative activity (under Title XIV) but is considered a program activity under Title II and probably also under Goals 2000, since that is one of the basic purposes of the program.
- Technical assistance is considered administrative under Title XIV, IDEA, and Vocational Education, but is considered a program activity under Titles II, IV, and VI.

¹ The Chapter 1 program was renamed "Title I" in the 1994 reauthorization of the Elementary and Secondary Education Act. For clarity, this report will refer to the program as Title I even when discussing data collected prior to reauthorization.

- Curriculum development is considered administrative under Title XIV but a program activity under Title IV and Vocational Education.

For this report, in re-analyzing district-level data based on the Coopers & Lybrand model, we use a relatively inclusive definition of administrative spending that comprises three categories: district administration, school administration, and business services. For general education funds, district administration includes superintendents, school boards, senior administrators, legal services, research and program evaluators, and other central office staff; school administration includes principals and assistant principals; and business services include payroll, purchasing, personnel, accounting, and data processing. For federal education programs, administrative costs will typically include salaries and expenses for district- and school-level federal program coordinators.

U.S. Department of Education Programs that Support Elementary and Secondary Education

Programs authorized under the Elementary and Secondary Education Act account for \$9.7 billion, or 30 percent of the Department's budget. Almost all (96 percent) of the ESEA funds are spent for seven programs: Title I, Impact Aid, Safe and Drug-Free Schools and Communities, Innovative Education Program Strategies, Eisenhower Professional Development, Bilingual Education, and Magnet Schools Assistance.

In addition, a number of programs authorized under other legislation also provide support for elementary and secondary education. Goals 2000 and the Individuals with Disabilities Education Act (special education) are focused on K-12 education, while Vocational Education, School-to-Work Opportunities, and Adult Education programs provide services in elementary and secondary settings as well as at the postsecondary level and in the workplace. If all of these funds are included, then "elementary and secondary education" accounts for 47 percent of the Department's budget. The remaining funds go primarily to financial aid for postsecondary students (45 percent) and vocational rehabilitation programs (8 percent).

Funds Retained by the U.S. Department of Education

Funds for Departmental administration of federal education programs are not actually reserved or retained from individual program appropriations, but instead are provided through separate line-items in the Department's budget. For FY 1999, the Department budgeted a total of \$461 million for Departmental management, or 1.2 percent of its entire budget. Total staffing for the Department in FY 1999 is budgeted at 4,623 full-time equivalent staff, which amounts to an average of one employee for every \$8 million in program spending.

Looking specifically at programs related to elementary and secondary education, the Department will spend approximately \$87 million in FY 1999 for salaries and expenses to administer \$20 billion in program funds; thus, the cost of federal program administration is about 0.4 percent of total program funds. If spending for federal research, leadership, and operations costs is included (by allocating a proportionate share to elementary and secondary education), this would bring the amount of federal elementary and secondary education funds spent at the federal level to \$109 million, or 0.5 percent of program funds.

Funds Retained at the State Level

Most federal funds for elementary and secondary education flow through state-administered programs, and these statutes permit states to retain a portion of the funds for program administration and other state-level activities. Data on the amount of funds that states actually use for the administration of federal programs is not available for most programs, but the Department does collect annual data on the amount of funds that are retained for all state-level activities, including but not limited to program administration. These state-level activities vary by program but may include services and activities such as technical assistance, professional development, development of standards and assessments, program evaluation and accountability systems, and direct services for children in state institutions.

- Overall, state agencies retained 4 percent of FY 1995 funds for state-level activities. States retained smaller percentages of funds, on average, from ESEA programs (2 percent), and only 1 percent of the funds from Title I.
- On average, states retained substantially less than the maximum permitted under the program statutes, where such maximums were specified. For example, states retained less than the statutory maximums for Safe and Drug-Free Schools State and Local Agency Programs (5 percent vs. 9 percent), Innovative Education Program Strategies (9 percent vs. 20 percent), Eisenhower Elementary/Secondary Grants (5 percent vs. 10 percent) and IDEA programs for children with disabilities (8 percent vs. 25 percent).
- The GAO reported that, in 1993, federal funds amounted to 41 percent of SEAs' total operating funds. However, this figure counted dollars for certain federal programs that are not usually operated by SEAs — notably Vocational Rehabilitation and the Disability Determination Service — which accounted for high proportions of total federal funds used for SEA operations in SEAs that operated these programs. When GAO restricted its analysis to 10 core programs, the federal share of SEA operating funds dropped to 29 percent.
- Total SEA operating funds amounted to \$46 per pupil, and federal funds (from the 10 core programs) used for SEA operating expenses amounted to \$12 per pupil.

Share of Funds Allocated to School Districts and Other Service Providers

School districts receive a large majority of the funds from federal elementary and secondary education programs. Across the nine largest ESEA programs, the percentage of federal funds distributed to school districts averaged 96 percent in FY 1995. For a larger set of 15 programs that includes IDEA, Perkins Vocational Education, and Adult Education, school districts received 90 percent of the funds.

Some programs are not intended to provide funds only to school districts, because other agencies may also provide services and may be more appropriate providers for some groups. For example, vocational education, school-to-work, and adult education programs are often offered through community colleges and other postsecondary institutions as well as at secondary schools.

Frequently the allocation of funds to service providers other than school districts reflects the statutory requirements governing the allocation of these funds.

- School districts received nearly all (95 to 100 percent) of the funds appropriated in FY 1995 for Title I, Impact Aid, Bilingual Education, Magnet Schools Assistance, Indian Education, and Emergency Immigrant Education. School districts also received high percentages of funds from Safe and Drug-Free Schools State and Local Educational Agency Programs (94 percent), Goals 2000 (93 percent), Eisenhower Elementary/Secondary Grants (91 percent), IDEA Grants to States (91 percent), Innovative Education Program Strategies (90 percent), IDEA Preschool Grants (88 percent), and Education for Homeless Children and Youth (88 percent).
- Colleges, universities, and other postsecondary institutions received substantial portions of the funds for Eisenhower Higher Education Grants (91 percent), Perkins Vocational Education (31 percent), Adult Education (25 percent), and School-to-Work Opportunities programs (14 percent).
- Other local agencies such as community organizations, social services agencies, police departments, and local partnerships between employers and educators receive substantial portions of the funds for Safe and Drug-Free Schools and Communities Governor's Programs (63 percent), the IDEA Infants and Toddlers with Disabilities program (50 percent), and School-to-Work Opportunities programs (27 percent).

Overall, the share of funds that reach local service providers, including school districts, colleges and universities, and community organizations, averaged 96 percent across the 15 largest elementary and secondary programs, and 98 percent for the nine largest programs authorized under the Elementary and Secondary Education Act.

How School Districts Spend Title I Funds

Information on the share of federal education funds used for administration, instruction, and other functions at the school district level is very limited, because obtaining this level of detail is labor-intensive and burdensome. Although research is underway to obtain more complete data, most information available pertains to Title I, the largest of the federal elementary and secondary education programs.

- **Local administration.** The Abt national survey found that 4 percent of local Title I funds was used for administrator salaries. GAO found that administration costs ranged from 6 to 13 percent of total spending, with an average of 10 percent. Using the Coopers & Lybrand model, administration accounted for 4 to 10 percent of Title I funds.
- **Instruction.** Most data indicate that about four-fifths of Title I funds are used specifically for instruction, ranging from a high of 88 percent in the Rhode Island districts to 73 percent in the GAO study. However, the uses of these funds varied substantially: the Rhode Island districts used a much higher percentage for teacher salaries (81 percent, compared to 55 percent in the Abt national survey), and Milwaukee spent much higher amounts on

computers (15 percent) and instructional materials (7 percent), compared to a total of 8 percent in the Abt survey.

- **Instructional support.** Districts also varied widely in their uses of Title I funds for instructional support activities, including professional development, curriculum and program development, counseling and other student support services, and student health services. The share of funds used for instructional support ranged from about 2 percent in the Rhode Island districts and some of the districts that GAO studied, to 15 percent or more in Milwaukee, the South Carolina districts, and two of the GAO districts. Milwaukee spent more for professional development (7 percent, compared to 1 percent in the South Carolina and Rhode Island districts), whereas the South Carolina districts spent more on student health services (8 percent, compared to less than 1 percent in Milwaukee and the Rhode Island districts).

How School Districts Spend Other Federal Funds

South Carolina provides information on a larger set of federal programs than the original Coopers & Lybrand model, which provides a separate breakout only for Title I. These data show that, in the 33 districts for which data was available, instruction and instructional support account for high percentages of total spending in other federal programs, including Safe and Drug-Free Schools (86 percent), IDEA special education (83 percent), and Perkins vocational education (97 percent).

- Administration accounted for 8 percent of spending across all of the federal programs reported, including Safe and Drug-Free Schools (10 percent), IDEA special education (16 percent), Perkins vocational education (3 percent), and Title I (6 percent).
- Across all federal programs, instruction and instructional support accounted for 88 percent of the funds; the remaining funds went for administration (8 percent), food services (2 percent), and operating costs (2 percent).

Share of School District Funds that Reaches the School and Classroom Levels

Limited information is currently available on the amount of federal funds that reaches the school or classroom level. However, some evidence suggests that, at the local level, a greater share of federal funds actually reaches the classroom, compared to state and local funds. This is not surprising, because school districts have expenses that are not usually covered by federal education programs, including facilities maintenance and utilities, capital expenditures, and student transportation.

- Data provided by Milwaukee and by Rhode Island for seven of its school districts using the Coopers & Lybrand model indicate that these districts used 79 percent and 88 percent, respectively, of their Title I funds for instruction, compared to 50 percent and 61 percent, respectively, of their general education funds. Instruction and instructional support together account for 94 percent of Title I funds in Milwaukee and 91 percent in the Rhode Island districts, compared to 57 percent of general education funds in Milwaukee, and 69 percent in the Rhode Island districts.

- The GAO analysis of eight school districts found that these districts devoted 73 percent of Chapter 1 funds to classroom services in 1990-91, compared with 62 percent of state and local funds.
- NCES data show that school districts nationally spent, on average, 62 percent of their funds (in current expenditures) on instruction and 11 percent on administration (including general administration, school administration, and business services) in 1994-95. The remaining funds were used for instructional support services and student services (9 percent), facilities maintenance and utilities (9 percent), transportation (4 percent), and food services (4 percent).

Share of Federal Elementary and Secondary Education Funds that Reaches School Districts, Schools, and Other Service Providers

Based on the above findings, we can estimate the total share of the federal K-12 education dollar that reaches school districts and other service providers. Funds spent at the federal and state levels account for about 4.5 percent of total funding for elementary and secondary education programs administered by the U.S. Department of Education. Thus, the remaining 95.5 percent of federal elementary and secondary education funds is spent at the local level by school districts and other service providers. About 88.5 percent of the funds goes to school districts, 3.5 percent goes to colleges and universities, and 3.4 percent goes to community agencies and other service providers.

Although limited information is available on the share of federal education funds that reaches the school or classroom level, the data presented in this report can support rough estimates about the share that is used for instruction and services that directly support instruction:

- For Title I, an estimated 88 to 92 percent of funds are used for instruction and instructional support.
- Overall, an estimated 84 percent of federal elementary and secondary education funds are used for instruction and instructional support.

It is important to keep in mind that funds that are used for activities and services other than instruction and instructional support are not necessarily funds that are "wasted" by the education bureaucracy. School meals for disadvantaged students, violence and drug prevention efforts, and repairs and upgrades to school facilities help to remove impediments to learning and may enable students to focus more productively on learning. And strong leadership is as important to the effectiveness of education as it is in business and other public- and private-sector enterprises. While spending federal and other education funds on administration does not guarantee effective leadership, neither does it mean that these funds are being diverted from activities that improve the quality and effectiveness of education for American students.

Continuing Work on Administrative Spending

More complete data on administrative spending in federal education programs will become available through a Department of Education study of resource allocation in five federal programs, collection of annual data on state uses of Title I funds for state administration, wider implementation of the Coopers & Lybrand Financial Analysis Model, and NCES work to develop school-level reporting systems on administrative and other spending.

- **Inspector General's Audit.** This audit is examining the percentage of Title I and Vocational Education funds that reach the school level, and the types of expenditures for these programs at the district and school levels, based on a random sample of 36 school districts in six states. The report is scheduled to be released in late spring 1998.
- **Resource Allocation Study.** This study will include an analysis of the share of funds used for administration, instruction, and other purposes at the state, school district, and school levels for six major federal education programs: Titles I, II, III, IV, and VI of ESEA, and Goals 2000. The study will also examine how the funds retained at the state and district levels are used (e.g., technical assistance, professional development, development of standards and assessments, and program evaluation). Data collection is planned to take place in the spring of 1998, with a final report in early 1999.
- **Uses of Title I funds for State administration.** Beginning in the 1997-98 school year, states will be asked to provide, in their annual state performance reports, information on the proportion of Title I state administrative funds spent on: (1) basic program operation and compliance monitoring; (2) statewide program services such as development of standards and assessments, curriculum development, and program evaluation, and (3) technical assistance and other direct support to local educational agencies and schools (as required under Section 14204(a)(2) of ESEA).
- **Coopers & Lybrand Financial Analysis Model.** As this model is implemented in a wider range of school districts, it will enable analysis of the use of Title I funds for administrative and other functions for a larger sample of districts. NCES is considering the possibility of becoming a repository for these data, which would make the data more easily accessible for analysis and benchmarking.
- **NCES school-level finance data systems.** NCES is continuing work on models for obtaining school-level data on spending for administration, instruction, and other functions. Options currently being explored include (1) the addition of school financial information to its Schools and Staffing Survey data collection, (2) collecting and disseminating data from school districts that use the Coopers & Lybrand model, and (3) using the NCES web page to "point" users to state websites that contain school-level finance data. This work may yield information about appropriate or typical levels of spending on administration and other functions in different types of school districts, which may help school districts and communities identify potential areas where administrative expenses might be reduced.

I. INTRODUCTION

A desire to improve the quality and productivity of our educational system often leads policymakers, educators, and concerned citizens to examine the use of funds spent on administration and other noninstructional functions. Funds used for administration are resources that are not available for instruction, and some have urged that a greater share of education resources should be directed to the classroom, to be "put in the hands of someone who knows the child's name."¹

As part of the 1994 amendments to the Elementary and Secondary Education Act (ESEA), Congress required the Secretary of Education to prepare two reports on the use of education funds for administration. This report, on the uses of federal education funds for administrative costs, is required under Sec. 14204(a). A second report, on the development of model data systems that provide information about administrative spending at the school and district levels (required under Sec. 14204(b)), was prepared by the National Center for Education Statistics (NCES) and is being published concurrently.

More recently, in June 1997, the House Education and the Workforce Committee adopted House Resolution 139 (sponsored by Rep. Joseph Pitts, R-PA), which urges the Congress, the Department of Education, states, and local educational agencies to —

- (1) determine the extent to which federal elementary and secondary education dollars are currently reaching the classroom;
- (2) work together to remove barriers that currently prevent a greater percentage of funds from reaching the classroom; and
- (3) work toward the goal that at least 90 percent of the U.S. Department of Education elementary and secondary program funds will ultimately reach classrooms, when feasible and consistent with local law.

The House resolution was based in part on its findings that "only 85 percent of funds administered by the U.S. Department of Education for elementary and secondary programs reach the school district level," that an "audit of the New York City public schools found that only 43 percent of their local education budget reaches the classroom," and that only 53 percent of elementary and secondary education funds was spent on instruction.² The resolution stated that "getting 90 percent of Department of Education elementary and secondary education funds to the classroom could provide substantial additional funding per classroom across the United States."

¹ House Resolution 139, June 25, 1997.

² The sources for these three statistics are: (1) Olson, C.L. (1996), *U.S. Department of Education financing of elementary and secondary education: Where the money goes*, Heritage Foundation; (2) Coopers & Lybrand (1994), *Resource allocations in the New York City Public Schools*; and (3) National Center for Education Statistics (1996), *Digest of education statistics: 1996*, Table 160.

When examining the use of education funds for administration, it is also important to see the larger picture of where the rest of the money is going. Many people appear to assume that any money not spent on instruction is absorbed into a faceless, functionless bureaucracy. For example, in an introduction to Fischer's report on Milwaukee expenditures, the executive director of the Wisconsin Policy Research Institute concluded:

"What these reports are saying to us is that hundreds of millions of dollars being spent on public education are not going where most of us would like to see it — into classroom instruction. Rather the money is going into layers of bureaucracy and administrative costs that have little to do with educating our children."³

The real picture, however, is more complex. Many expenditures that are not classified as instructional are nevertheless necessary for an effective education system. Education occurs in buildings, which must be paid for and which require maintenance, cleaning, light, heat, and air conditioning if they are to be comfortable learning environments. School lunch programs ensure that hunger will not interfere with students' concentration. Payroll and employee benefits systems are necessary for teachers and other staff to receive compensation for their work.

In the context of federal programs, spending on activities other than direct instruction may be encouraged by the statute. Under the Eisenhower Professional Development program, as well as Title I and other programs, states, districts, and schools may spend federal funds on professional development programs that improve the knowledge and skills of teachers. Although not spent in the classroom, effective professional development directly affects the quality of teaching in the classroom. The reauthorized ESEA also encourages states to develop rigorous standards and assessments to measure the progress of Title I schools, based on a widespread belief that high expectations and holding schools accountable are critical ingredients to improving student learning.

This is not to say that federal, state, and local education funds are always used efficiently and effectively, but it does suggest that many noninstructional expenditures may be essential to student learning. Moreover, as a Coopers & Lybrand executive has pointed out, inefficiency and waste are not necessarily concentrated in an "administrative blob"; efficient or inefficient uses of resources may be spread throughout the system.

Consequently, this report discusses the uses of federal and other education funds for administration in the context of other uses of the funds — including instruction, professional development, and student support services — in order to provide a more complete understanding of where the federal education dollar goes.

Study Design

This report provides information on the uses of federal education funds for administration, instruction, and other purposes by examining alternate definitions of administrative spending, analyzing available data collected by the U.S. Department of Education and other sources, and reviewing other studies of administrative spending. The report will examine the following issues:

³ Fischer, *ibid.*

- How is administrative spending defined in various reports, data collections, and federal education laws or guidance, and in what ways do these definitions differ?
- What issues should be considered in developing a definition for administrative costs in federal education programs?
- What percentage of federal education funds are spent for administration, instruction, and other purposes at the state, district, and school levels?
- What percentage of federal education funds reach school districts, schools, and classrooms? What other agencies receive federal education funds and why?
- How do the uses of federal education funds compare to the uses of state and local funds?
- How do states, districts, and schools spend administrative funds and other noninstructional funds?

The report utilizes data on allocations and expenditures for a number of major federal education programs that provide support for elementary and secondary education, including Title I of the Elementary and Secondary Education Act, the Individuals With Disabilities Education Act, and Perkins Vocational Education. This report relies primarily on data for the 1995-96 school year obtained from two sources:

- The U.S. Department of Education "GEPA 424" report on the distribution of state-administered federal education funds for FY 1995 (which corresponds to the 1995-96 school year).⁴ This source provides information on the amount of federal education funds retained at the state level, allocated to school districts, and provided to other agencies. This data is available for a wide range of federal programs supporting elementary and secondary education.
- Data from the Coopers & Lybrand Financial Analysis Model provided by Milwaukee, by South Carolina for 33 of its school districts, and by Rhode Island for seven of its districts, as well as published data for 13 other school districts for earlier school years. This source provides information about the uses of federal education funds at the district and school levels for instruction, instructional support, administration, and other purposes. The Coopers and Lybrand model provides detailed information on expenditures from Title I funds as well as "general education" funds, but does not usually break out spending data for other federal programs. However, South Carolina has adapted the model to enable separate reporting for the federal Safe and Drug-Free Schools, Vocational Education, and IDEA special education programs.

⁴ This report is mandated under Section 424 of the General Education Provisions Act (GEPA).

In addition, the report also utilizes earlier data from the U.S. General Accounting Office (GAO), the National Assessment of Chapter 1,⁵ and the National Center for Education Statistics (NCES).

- U.S. General Accounting Office (GAO) studies of the use of federal funding in state education agencies (SEAs) in 1994-95 and the use of Chapter 1 funds in eight school districts for the 1990-91 school year.
- A national study of Chapter 1 implementation conducted by Abt Associates for the National Assessment of Chapter 1, for the 1990-91 school year.
- Data on school district expenditures from all sources, collected through the NCES Common Core of Data annual surveys for the 1994-95 school year.

Structure of this Report

The remainder of this report is organized into three sections:

- **Section II, Definitions of Administrative Spending**, discusses various definitions of "administration" that have been used by researchers or are described in statute, as well as issues that should be considered in developing a definition of administrative costs for federal education programs.
- **Section III, What Is Known About Use of Federal Education Funds for Administrative Purposes**, summarizes available data on the share of funds reaching the school and district levels and the use of these funds for administration, instruction, and other purposes.
- **Section IV, Continuing Work on Administrative Spending**, describes ongoing work that will improve our understanding of the use of federal and other education funds for administration.

⁵ The Chapter 1 program was renamed "Title I" in the 1994 reauthorization of the Elementary and Secondary Education Act. For clarity, this report will refer to this program as Title I even when discussing data collected prior to reauthorization.

II. DEFINITIONS OF ADMINISTRATIVE SPENDING

Public concern about administrative spending in education is often driven by a perception that money not spent at the school or classroom level is money that does not affect student learning. Some researchers have reported very low percentages of school district funds being spent on instruction, causing people to wonder: where does all the money go? The concern may be heightened by wide variations among different data sources and studies in the share of funds used for instruction and administration. On the one hand, NCES data indicate that 60 percent of school district expenditures go to instruction and 11 percent is used for administration, while other researchers have reported that "as little as 26 percent of school district funds is being spent on classroom expenditures."⁶

While these disparities may be due in part to differences among the particular school districts included in the various analyses, they also are strongly affected by the definitions and rules used to classify particular expenditures as instruction, administration, and other categories. For example, Fischer, in his analysis of expenditures in the Milwaukee Public Schools (MPS), reported that "the figures MPS reports as administrative costs [range from] 3.6 percent, 6.3 percent, 8 percent, 10.7 percent, or 13 percent depending on which MPS report one reads."⁷

The remainder of this chapter describes various definitions of administrative costs and activities described in law and guidance, definitions used by researchers, the definition used in this report, and issues that should be considered in developing a definition of administrative costs for federal education programs.

Definitions Described in Law and Guidance

Although the Elementary and Secondary Education Act does not contain a general definition of administrative expenditures that state and local education agencies must use for covered programs, some individual program statutes and regulations do suggest, either explicitly or implicitly, what categories of expenditures might be considered administrative. These statutes sometimes also describe other state-level activities that are listed in addition to state administration. The designation of particular activities as administrative or as "other" state-level activities is sometimes inconsistent across various statutes. For example, a new requirement for states to report annually on their uses of Title I funds for administrative activities specifies three categories of administrative spending, some of which are specifically listed as non-administrative activities in other sections of the same

⁶ Christine L. Olson (1996), *U.S. Department of Education financing of elementary and secondary education: Where the money goes*, Washington, DC: The Heritage Foundation, p.4. The 26 percent figure is based on analysis by Michael Fischer (1990), *Fiscal accountability in Milwaukee's public elementary schools: Where does the money go?*, Milwaukee, WI: Wisconsin Policy Research Institute.

⁷ Michael Fischer (1990), *Fiscal accountability in Milwaukee's public elementary schools: Where does the money go?*, Milwaukee, WI: Wisconsin Policy Research Institute, p.14.

law.⁸ Below are descriptions of some of these ESEA statutes, as well as some statutes for other programs relating to elementary and secondary education:

- **Title XIV of ESEA (General Provisions).** A requirement for states to report on their uses of Title I funds for administrative activities specifies three categories of administrative spending: (1) basic program operation and compliance monitoring; (2) statewide program services such as development of standards and assessments, curriculum development, and program evaluation; and (3) technical assistance and other direct support to local educational agencies and schools (Sec. 14204).
- **Title II of ESEA (Eisenhower Progressional Development Program).** Although this statute does not specifically define administrative costs, it does describe additional activities for which states may retain funds (in addition to program administration), including reviewing state requirements for teacher licensure, developing performance assessments and peer review procedures, technical assistance, and providing professional development to teachers (Sec. 2207).
- **Title IV of ESEA (Safe and Drug-Free Schools and Communities Program).** Similarly, this statute describes activities for which states may retain funds, in addition to program administration, including training, technical assistance, demonstration projects, curriculum development, and program evaluation.
- **Title VI (Innovative Education Program Strategies).** This statute describes state administrative costs as including funds allocation, planning, monitoring, and program evaluation. The statute also authorizes other state-level activities including technical assistance and statewide education reform activities. (Sec. 6201(a))
- **Vocational Education.** This statute authorizes states to retain up to 5 percent of their Basic Grant for program administration, which may include developing the state plan, reviewing local applications, program monitoring, technical assistance, and program evaluation (Sec. 102(a)(4)). It also specifies that curriculum development, personnel development, and research activities are not considered administration (Sec. 521(1)); instead, a separate authorization permits states to retain an additional 8.5 percent of the funds to conduct these and other state programs and leadership activities (Sec. 201(b)).
- **Adult Education.** This statute describes state administrative costs as including development and implementation of the state plan, development of performance indicators for literacy programs, and consultation with the state advisory council on adult education and literacy (Sec. 331(a)).

⁸ *Elementary and Secondary Education Act, Title XIV, Sec. 14204(a)(2).* This requirement was added in the 1994 reauthorization of ESEA and the information will be collected through the annual state Title I performance reports, beginning in 1997-98.

The Department of Education's Office of the Chief Financial Officer (OCFO) has published guidance on what constitutes administrative costs (both direct and indirect).⁹ This guidance provides the following examples of administrative activities:

- Overall program management, program coordination, and office management functions, including the salaries and related costs of the executive director, project director, project evaluator (when directly allocated).
- Preparing program plans, budget schedules, and related amendments.
- Monitoring of programs, projects, subrecipients, and related systems and processes.
- Developing systems and procedures, including management information systems, for ensuring compliance with program requirements.
- Preparing reports and other documents related to the program requirements.
- Evaluating program results against stated objectives.
- Performing divisional level administrative services such as program-specific accounting, auditing, or legal activities.

The OCFO guidance specifies that administrative costs include salaries, benefits, and goods and services required for administration of the program, including utilities, maintenance of office space, equipment, supplies, and travel. Utility and maintenance costs are not included in the NCES and Coopers & Lybrand definitions of administrative costs (rather, they are classified under "operations and maintenance").

Definitions Used by Researchers

Data on administrative expenses have been collected using varying definitions, terminology, and levels of detail. The definitions employed by data sources used in this report are summarized below:

- **The NCES Common Core of Data** defines two types of administration categories: general administration and school administration.
 - General administration includes the superintendent and school board, labor relations and negotiations, central office expenditures for administering special programs (e.g., Title I), and other central office expenditures, legal services, election services, tax assessment and collection, community relations, and grant procurement.

⁹U.S. Department of Education (1996), *Indirect cost determination: Guidance for state and local government agencies*, p.72.

- School administration includes the principal's office (including vice principals and administrative support) and full-time department chairpersons.

Fringe benefits, furniture, equipment (including computers), and supplies associated with administrative activities are also included in each of the above categories. NCES does not typically include business services such as payroll and purchasing as administrative expenditures; rather, these are included under "other support services."

- **Coopers & Lybrand** prefers the term "leadership" to "administration" and subdivides leadership into three categories: school leadership, program and operations management, and leadership services (superintendent, school board, and legal services). Like NCES, the Coopers & Lybrand definition of administration includes fringe benefits, equipment, and supplies and does not include business services, which are classified under "operations."
- **A GAO report on the uses of Chapter 1 funds in eight districts** defined administrative spending for Chapter 1 as "primarily salaries and benefits for Chapter 1 coordinators and administrative staff, as well as supplies and equipment used to support the program." The report did not specify how GAO defined administration in its analysis of other district expenditures.¹⁰
- **The Abt national survey on the implementation of Chapter 1** obtained data on salaries and benefits for administrators, but these data understate total spending on administration because the survey did not identify non-salary expenditures that were used for administrative activities.

Definition Used in this Report

Because this report relies on data from a variety of sources that have used different definitions of administrative costs, it is not possible to use a single consistent definition. However, it may be useful here to describe the definition that was used in the analyses of school district data based on the Coopers & Lybrand Financial Analysis Model that comprise a large portion of this report, particularly since this accounting system does not contain a category called "administration." In these analyses, we used a relatively inclusive definition of administration that comprises three categories: district administration, school administration, and business services. Each of these three categories include salaries and fringe benefits for administrative staff as well as non-personnel costs such as furniture, computers, and supplies.

For general education funds, district administration includes superintendents, school boards, senior administrators, legal services, research and program evaluators, and other central office staff; school administration includes principals and assistant principals; and business services include payroll, purchasing, personnel, accounting, and data processing. For federal education programs, administrative costs will typically include salaries and expenses for district- and school-level federal program coordinators.

¹⁰U.S. General Accounting Office (1992). *Compensatory education: Most Chapter 1 funds in eight districts used for classroom services* (HRD-92-136FS), Washington, DC, p.9.

Developing a Definition of Administrative Costs for Federal Education Programs

The statute which mandated this report also directed the Secretary of Education to promulgate regulations or guidance on the uses of federal education funds for administration. Specifically, Sec. 14204(a)(4) of the Elementary and Secondary Education Act states:

"Based on the results of [this study], ... the Secretary shall (A) develop a definition of what types of activities constitute the administration of programs under this Act by State and local educational agencies; and (B) within one year of the completion of such study, promulgate final regulations or guidance regarding the uses of funds for administration under all programs, including the use of such funds on a consolidated basis and limitations on the amount of such funds that may be used for administration where such limitation is not otherwise specified in law."

A definition of administrative costs for federal programs may differ from definitions used for education expenditures in general, since administrative activities for federal programs can vary substantially from administrative activities for the overall operations of districts and schools. Federal funds usually do not support most of the activities and personnel listed above under district and school administration or business services. Federally-funded activities at the state and district levels may include administrative, instructional, and instructional support activities. While some of these activities are clearly "administrative" and others clearly are not, there are a number of types of activities whose classification is more ambiguous.

At the most general level, administration of federal education programs at the state or district level might perhaps be defined as "basic program operations and compliance monitoring" (one of the administrative activities specified in Section 14204). This might include, for example, such activities as reviewing grant applications, allocating and disbursing funds, preparing program plans and budgets, monitoring subgrantees to ensure compliance with program requirements, and preparing reports required by the state or federal government. Also included in administrative costs are fringe benefits for administrative staff and non-personnel costs associated with administrative activities (such as furniture, computers and other equipment, supplies, overhead, and indirect costs).

Some activities that may be conducted or accounted for at the state and district levels are clearly not administrative in nature, notably instructional programs that occur outside the regular school day or year or that serve groups of children who are not part of the regular school program. Extended-time programs including summer school and before- and after-school programs are often organized at the school district level rather than the school level, and some school buildings may house summer school or extended-day programs that serve students from a variety of school attendance areas or schools. Similarly, preschool programs are sometimes organized and accounted for at the district level. Wages and benefits for substitute teachers may be accounted for at the district level, although they are working at the school level. States also provide some direct services to certain groups of children and youth, such as those in state correctional institutions or state schools for children with disabilities.

Federal funds are also used for state- and district-level activities intended to support instruction, such as development and implementation of standards and assessments, professional development, curriculum development, and parent and community involvement programs. States and districts

also provide technical assistance to help districts and schools understand program requirements and improve the quality and effectiveness of their programs. Federal program statutes sometimes designate these activities as part of state administration, while in other cases they are listed as "other" state-level activities (henceforth referred to as "program activities") for which the state may use funds.¹¹ For example:

- Developing standards and assessments is considered a Title I state administrative activity (under Title XIV) but is considered a program activity under Title II and probably also under Goals 2000, since that is one of the basic purposes of the program.
- Technical assistance is considered administrative under Title XIV, IDEA, and Vocational Education, but is considered a program activity under Titles II, IV, and VI.
- Curriculum development is considered administrative under Title XIV but a program activity under Title IV and Vocational Education.

In short, program statutes sometimes distinguish between state administrative costs and other state-level activities, while in other cases they group all state-level activities under the heading of "state administration."

Another factor that may complicate the reporting of the uses of funds for administration is that staff at the state and school district levels often "wear many hats." For example, a district program coordinator may have responsibility for allocating funds among schools, preparing plans and budgets, participating in the implementation of standards and assessments, and providing technical assistance to help schools improve the effectiveness of their programs. Similarly, a school principal provides instructional leadership as well as serving an administrative function. Distinguishing between administrative and non-administrative costs might ultimately require determining how staff divide their time among administrative and non-administrative activities.

It should be noted that states and school districts may consolidate administrative funds from one or more of the ESEA programs, a provision added in the 1994 reauthorization of ESEA to increase local flexibility and simplify recordkeeping requirements.¹² States that consolidate administrative funds are not required to keep separate records for each program on the uses of the consolidated funds or to break down administrative expenditures by program. This option may be particularly useful when staff have responsibility for multiple federal programs or work on comprehensive reform efforts that cut across programs.

¹¹ Statutes frequently permit states to spend a higher percentage of funds for all state-level activities than for state administration alone. This may be accomplished by specifying a percentage that states may use for administration and an additional percentage for other state-level activities, or by specifying the total amount that must be suballocated to school districts and other agencies (implicitly placing a maximum on the total amount of funds that may be used at the state level), with a specific limitation on the percentage that may be used for administration. In either case, activities listed in addition to program administration as permissible state-level uses of funds may be supported from funds reserved for "state administration" or from total state reserves.

¹² *Elementary and Secondary Education Act, Title XIV, Sec. 14201 and Sec. 14203.*

III. WHAT IS KNOWN ABOUT THE USE OF FEDERAL EDUCATION FUNDS FOR ADMINISTRATIVE PURPOSES

Historically there have been few requirements for states, school districts, and other grantees to report on the amount of federal funds they use for administration, instruction, and other purposes.¹³ While grantees are responsible for staying below statutory limitations on the percentage of funds they may use for administrative purposes, and are subject to audit of their compliance with these provisions, in most cases they are not required to report this information routinely for each federal program for which they receive funds. As a result, most data on the uses of federal education funds, particularly at the local level, are derived from data collected for representative samples of districts and schools or from in-depth analyses of a few districts or schools.¹⁴

The potential value of obtaining more detailed information about the uses of federal program funds should be weighed against the considerable reporting burden and administrative costs necessary to collect and report detailed data. Few districts currently have accounting systems that break out administrative expenditures separately for federal program funds, so such a requirement would require states and districts to modify their accounting systems as well as to submit these detailed reports. Additionally, the expense to the federal government of collecting, compiling, and reporting this data for roughly 15,700 school districts, 1,600 colleges and universities, and 5,100 other agencies would also be substantial. Also, because accounting systems and methods of classifying expenditures vary considerably across state and local agencies, developing an accurate "crosswalk" system that converts data reported by all of these agencies to consistently-defined classifications would be a very labor-intensive and costly undertaking.

Nevertheless, there are a variety of existing data on the uses of federal education funds at the state, school district, and school levels that collectively may provide some insight into "where the money goes." Together, these data allow us to examine:

- The share of funds retained by states for state-level activities including (but not limited to) program administration for 15 of the largest programs supporting elementary and secondary education, based on information from the GEPA 424 data collection on the distribution of federal education funds in FY 1995.
- The share of SEA funds derived from federal programs, based on GAO data for FY 1993.
- The share of elementary and secondary education funds received by school districts and other local agencies that provide services, based on the GEPA 424 data for FY 1995.

¹³ Two exceptions are state administration under Title I and under Perkins Vocational Education. For these programs, states are required to report annually on the amount of funds they use for state administration.

¹⁴ NCES does obtain data on school district revenues and expenditures through a voluntary state-level data collection, the F-33 Survey of Local Government Finances (annual data is collected for a sample of school districts, and data for all districts is collected once every five years). However, this survey collects data on spending for administration and instruction in the aggregate, not broken down by revenue source.

- The uses of Title I and other education funds at the district and school levels, based on data from the Coopers & Lybrand Financial Analysis Model.

U.S. Department of Education Programs that Support Elementary and Secondary Education

Programs authorized under the Elementary and Secondary Education Act account for \$9.7 billion, or 30 percent of the Department's budget of \$32.5 billion. Almost all (96 percent) of the ESEA funds are spent for seven programs: Title I (\$7.2 billion), Impact Aid (\$728 million), Safe and Drug-Free Schools and Communities (\$466 million), Innovative Education Program Strategies (\$347 million), Eisenhower Professional Development (\$272 million), Bilingual Education (\$157 million), and Magnet Schools Assistance (\$111 million).

In addition, a number of programs authorized under other legislation also provide support for elementary and secondary education. Goals 2000 and the Individuals with Disabilities Education Act (special education) are focused on K-12 education, while Vocational Education, School-to-Work Opportunities, and Adult Education programs provide services in elementary and secondary settings as well as at the postsecondary level and in the workplace. Finally, roughly half of the budget for the Office of Educational Research and Improvement (OERI) could be considered as related to elementary and secondary education. If all of these funds are included, then "elementary and secondary education" accounts for 47 percent of the Department's budget. The remaining funds go primarily to financial aid for postsecondary students (45 percent) and vocational rehabilitation programs (8 percent).

Funds Retained by the U.S. Department of Education

Funds for Departmental administration of federal education programs are not actually reserved or retained from individual program appropriations, but instead are provided through separate line-items in the Department's budget. For FY 1999, the Department budgeted a total of \$461 million for Departmental management, or 1.2 percent of its entire budget. Total staffing for the Department in FY 1999 is budgeted at 4,623 full-time equivalent staff, which amounts to an average of one employee for every \$8 million in program spending.

Looking specifically at programs related to elementary and secondary education, the Department will spend approximately \$87 million in FY 1999 for salaries and expenses to administer \$20 billion in program funds; thus, the cost of federal program administration is about 0.4 percent of total program funds. If spending for federal research, leadership, and operations costs is included (by allocating a proportionate share to elementary and secondary education), this would bring the amount of federal elementary and secondary education funds spent at the federal level to \$109 million, or 0.5 percent of program funds.¹⁵

¹⁵ U.S. Department of Education (1998), *Annual performance plan: FY 1999*, p. 77. This annual plan estimated Department salaries and expenses attributable to K-12 education funds as \$45 million for Goal 1 (Help all students reach challenging standards) and \$42 million for Goal 2 (Build a solid foundation for learning for all children). For the purpose of estimating total elementary and secondary funds spent at the federal level, we added in a portion of the salaries and expenses for Goal 4 (Make the Department a high-performance organization) — which includes research and development, financial management, customer service, personnel, and other costs not associated with specific programs — based on the proportion of salaries and expenses used for Goals 1 and 2.

Funds Retained at the State Level

Most federal funds for elementary and secondary education flow through state-administered programs. In FY 1995, 88 percent of federal elementary and secondary education funds flowed through eleven state-administered programs: Title I, Eisenhower Professional Development, Safe and Drug-Free Schools, Innovative Education Program Strategies, the Individuals with Disabilities Education Act, Perkins Vocational Education, Goals 2000, Adult Education, School-to-Work Opportunities, Emergency Immigrant Education, and Education for Homeless Children and Youth. Most of these statutes permit states to retain a portion of the funds for program administration and other state-level activities (see Table 1). These may include such activities as:

- **Building local capacity for implementing effective programs.** This includes technical assistance, program monitoring, training programs, curriculum development and dissemination, and demonstration projects.
- **Development of standards and assessments.** States may use funds retained under Goals 2000, Title I, and other programs to support the development of content and performance standards that clearly describe what students are expected to know and be able to do, as well as assessments that are aligned with those state standards.
- **Planning.** States are encouraged or required to develop and implement state plans for improving program effectiveness under a number of state-administered federal programs. For example, states may use IDEA funds to assist in the development and implementation of statewide coordinated service delivery systems for children with disabilities.
- **Coordination.** For example, states may reserve a portion of Title I Migrant Education funds for statewide identification and recruitment of migratory children and intra-state and inter-state coordination of migrant services. States are encouraged to use School-to-Work funds to promote and coordinate partnerships with employers, labor, and community and parent organizations.
- **Instructional materials and equipment.** Some states have used Perkins Vocational Education funds to purchase computers and other technology for school districts in order to obtain lower prices by purchasing in bulk.
- **Direct services for children.** This typically occurs when students are either in state-operated schools or institutions (for certain children with disabilities and neglected or delinquent children) or not in school (e.g., infants and toddlers with disabilities).

Authorizing statutes frequently place limits on the percentage of funds that states may retain for administration, usually between 1 percent and 5 percent. The statutes sometimes also place limits on the percentage of funds that states may retain for other state-level activities. Some programs are intended primarily for state-level activities, such as Title I grants to SEAs for neglected or delinquent children in state institutions, and School-to-Work state development grants. Table 2 shows the statutory limits on the amount of funds states may retain for administration and for all state-level activities, as well as the total amount of funds retained by states for FY1995.

Table 1
Purposes for Which States May Retain Funds
from State-Administered Federal Education Programs

Program	Examples of Allowable State-Level Uses of Funds
Education for the Disadvantaged (Title I)	Development of standards and assessments, technical assistance, school support teams, state school improvement activities, statewide identification and recruitment of migratory children, coordination of migrant services between and within states, direct services for children and youth in state-operated institutions for neglected or delinquent children and correctional facilities, program administration.
Safe and Drug-Free Schools and Communities (Title IV)	Training programs, curriculum development and dissemination, demonstration projects, special assistance to economically disadvantaged areas, technical assistance, program administration.
Innovative Education Program Strategies (Title VI)	Statewide education reform activities including effective schools programs, technical assistance, program evaluation, program administration.
Eisenhower Professional Development Program (Title II)	Professional development, support for professional development networks, incentives for teachers to become certified, development of performance assessments and peer review procedures for licensing teachers and administrators, technical assistance, program administration.
Emergency Immigrant Education	Program administration.
Individuals with Disabilities Education Act (IDEA)	Implementation of state plan for educating children with disabilities, state leadership activities, technical assistance, professional development, parent outreach and training, monitoring local programs, complaint investigations, direct services for certain children with disabilities, program evaluation, program administration.
Perkins Vocational & Applied Technology Education	Development and implementation of state plan, technical assistance, professional development, curriculum development and dissemination, direct services for individuals in state correctional institutions, program evaluation and accountability systems, program administration.
Goals 2000 (State and Local Education Systemic Improvement)	Development of state content and performance standards, development of assessments linked to the standards, performance-based accountability systems, parent outreach and training, technical assistance, promotion of public school choice strategies such as magnet and charter schools, program planning and evaluation, development of school-based violence prevention programs, data collection, program administration.
Adult Education (State Grants)	Professional development, evaluation, dissemination, technical assistance, curriculum development, program administration.
School-to-Work Opportunities	Development and implementation of state plan, training and technical assistance, curriculum development, promoting and coordinating partnerships with employers and community and parent organizations, data collection and research, program administration.
Education for Homeless Children and Youth	Development and implementation of state plan, direct services for homeless children, professional development, technical assistance, program administration.

Table 2
Funds Retained by States under State-Administered Federal Education Programs, FY 1995

Program	Actual Percent Retained by States	Maximum that States May Retain	
		State Administration	All State-Level Activities (including Administration)
Title I: Education for the Disadvantaged	1.2%		
Grants to LEAs (Basic and Concentration Grants)	0.6%	1%	1.5%
Grants to SEAs for Migrant Children	2.4%	1%	1.5%
Even Start	4.4%	5%	5%
Grants to SEAs for Neglected or Delinquent Children	81.0%	1%	100%
Capital Expenses	0.6%	0%	0%
State Program Improvement Grants	7.5%	0%	no specific limit
Title IV: Safe and Drug-Free Schools and Communities	7.4%		
State and Local Agency Programs	5.0%	4%	9%
Governor's Office	17.6%	5%	no specific limit
Title VI: Innovative Education Program Strategies	9.1%	5%	20%
Title II: Eisenhower Professional Development	4.9%		
Elementary/Secondary Grants	5.1%	5%	10%
Higher Education Grants	4.2%	5%	5%
Emergency Immigrant Education	0.5%	1.5%	no specific limit
Subtotal—ESEA programs	2.0%		
Individuals with Disabilities Education Act (IDEA)	7.8%		
IDEA Grants to States	5.5%	5%	25%
IDEA Preschool Grants	5.3%	5%	25%
IDEA Infants and Toddlers with Disabilities	32.2%	no specific limit	no specific limit
Perkins Vocational & Applied Technology Education	11.8%		
Basic State Grants	11.4%*	5%	14.5%
Tech-Prep Education	15.7%	no specific limit	no specific limit
Goals 2000	5.1%	4%	10%
Adult Education	8.6%	5%	no specific limit
School-to-Work Opportunities	10.2%		
State Development Grants	39.4%	no specific limit	no specific limit
State Implementation Grants	8.4%	10%	30%
Education for Homeless Children and Youth	6.7%	greater of 5% or amount of SEA's allocation for state activities in FY90	
Total—all programs	4.3%		

Note: For Perkins Vocational Education, state reports indicate that states used 4.8% of Basic Grants for state administration. Thus, the remaining 6.6% of the funds were used for other state-level activities.

Source: U.S. Department of Education analysis of data from Sinclair and Gutmann, *The distribution of federal education funds in FY 1994 and FY 1995: Biennial report to Congress under Section 424 of the General Education Provisions Act*, Washington, DC: U.S. Department of Education, forthcoming in 1998.

Data on the percentage of funds that states retain for administration of federal programs is not available (with the exception of the Perkins Vocational Education program). However, the Department does collect annual data on the amount of funds that are retained at the state level, either for use by the SEA or by other state agencies that provide services under certain federal education programs. As discussed above, these state-level uses of funds may include a variety of services and activities in addition to administration of the program (see Table 1).

Overall, state agencies spent 4 percent of funds under state-administered federal elementary and secondary programs for state-level activities (including but not limited to program administration).¹⁶ State-level activities accounted for a smaller share, on average, of funds from ESEA programs (2 percent), and only 1 percent of the funds from Title I. For other programs, the amount of funds spent at the state level varied: Emergency Immigrant Education (0.5 percent), Eisenhower Professional Development (5 percent), Goals 2000 (5 percent), Safe and Drug-Free Schools and Communities (7 percent), Individuals with Disabilities Education Act (8 percent), Adult Education (9 percent), Innovative Education Program Strategies (9 percent), School-to-Work Opportunities (10 percent), and Perkins Vocational Education (12 percent). For Perkins Vocational Education, state reports show that states used slightly less than 5 percent of the funds for state administration, indicating that the remaining 7 percent were used for other state-level activities authorized under the law. These varying amounts retained for state-level activities may reflect differences in the nature and extent of state responsibilities under the various programs.

On average, states retained substantially less than the maximum permitted under the program statutes (where such maximums were specified). For example, states retained less than the statutory maximums for Safe and Drug-Free Schools State and Local Agency Programs (5 percent vs. 9 percent), Innovative Education Program Strategies (9 percent vs. 20 percent), Eisenhower Elementary/Secondary Grants (5 percent vs. 10 percent) and IDEA programs for children with disabilities (8 percent vs. 25 percent).

Extent of Federal Funding in State Educational Agencies

SEAs receive a significant portion of their operating funds from federal programs. The GAO reported that, in 1993, federal funds amounted to 41 percent of all SEA operating funds and that 41 percent of SEA staff were federally funded. GAO also found that the federal share of SEA operating funds varied widely among states, from a high of 77 percent in Michigan to a low of 6 percent in Maine.

However, these figures were heavily influenced by certain federal programs that are not usually operated by SEAs — notably Vocational Rehabilitation and the Disability Determination Service — and that accounted for high proportions of total federal funds used for SEA operations in SEAs that

¹⁶ GAO estimated that SEAs retained 5.8 percent of federal education funds in the same year, but the GAO estimate included programs such as vocational rehabilitation (which accounted for nearly one-fourth of the state-retained funds in GAO's study) that are not primarily oriented toward K-12 education and thus are not included in this report.

operated these programs. When GAO restricted its analysis to 10 core programs¹⁷ (which accounted for 84 percent of all federal funds used to operate SEAs, if Vocational Rehabilitation and the Disability Determination Service are excluded), the federal share of SEA operating funds dropped to 29 percent. Particularly in states where the federal share was relatively high, the federal share often appeared much lower when Vocational Rehabilitation and other "noncore" programs were excluded (see Table 3). Similarly, the percentage of SEA staff who are federally supported dropped from 41 percent to 25 percent when only core federal programs were included.

Table 3
Federal Share of SEA Operating Funds in 1993

	All Federal Sources	Core Federal Programs
All States	41%	29%
Michigan	77%	29%
Iowa	71%	47%
Alabama	69%	25%
South Dakota	62%	54%
Maryland	61%	21%
New Hampshire	60%	34%
North Dakota	59%	56%
Utah	59%	24%

Source: GAO (1995). *Education Finance: Extent of federal funding in state education agencies* (HEHS-95-3). Washington, DC: Author.

In addition, the federal share of SEA operating funds was also affected by certain state-funded programs not usually included in SEA operating budgets. For example, the SEA in Maine administers the state's teacher retirement fund, unlike most other SEAs. When this pension fund and noncore federal programs are excluded from the Maine SEA's budget, the federal share of its operating funds rises from 6 percent to 32 percent.

Total SEA operating funds amounted to \$46 per pupil, and federal funds (from the 10 core programs) used for SEA operating expenses amounted to \$12 per pupil.¹⁸

¹⁷ GAO defined these 10 "core programs" as Title I, Title VI, other ESEA programs, special education, child nutrition, vocational education, adult education, AIDS education, Civil Rights Act, and homeless education programs.

¹⁸ National Center for Education Statistics (1997), *Digest of education statistics: 1997*, Table 161.

Share of Funds Allocated to School Districts and Other Service Providers

School districts receive a large majority of the funds from federal elementary and secondary education programs. Across the nine largest ESEA programs, the percentage of federal funds distributed to school districts averaged 96 percent in FY 1995 (see Table 4). For a larger set of 15 programs that includes IDEA, vocational education, and adult education, school districts received 90 percent of the funds.

Some programs are not intended to provide funds only to school districts, because other agencies may also provide services and may be more appropriate providers for some groups. For example, vocational education and adult education programs are often offered through community colleges and other postsecondary institutions as well as at secondary schools. Thus, for these two federal programs, colleges and universities received substantial portions of the funds (31 percent of vocational education funds, and 25 percent of adult education funds). Frequently the allocation of funds to service providers other than school districts reflects the statutory requirements governing the allocation of these funds. For example, the Safe and Drug-Free Schools and Communities statute directs 20 percent of the funds to Governors' offices to serve young people who are not easily reached through schools, typically by providing funds to local agencies such as police departments, county governments, boys and girls clubs, and other community organizations.

School districts received nearly all (95 to 100 percent) of the funds appropriated for Title I, Impact Aid, Bilingual Education, Magnet Schools Assistance, Indian Education, and Emergency Immigrant Education. School districts also received high percentages of funds from Safe and Drug-Free Schools State and Local Educational Agency Programs (94 percent), Goals 2000 (93 percent), Eisenhower Elementary/Secondary Grants (91 percent), IDEA Grants to States (91 percent), Innovative Education Program Strategies (90 percent), IDEA Preschool Grants (88 percent), and Education for Homeless Children and Youth (88 percent).

For the Safe and Drug-Free Schools and Communities program, 93 percent of total funding was allocated to local service providers, including school districts (79 percent) and colleges and community organizations (14 percent).¹⁹ School districts received nearly all (94 percent) of the funds for State and Local Educational Agency Programs, while a majority (63 percent) of funds for the Governor's Programs were allocated to police departments, community organizations, and other local agencies.

For the Eisenhower Professional Development program, 95 percent of the funds was allocated to local service providers including school districts (76 percent), colleges and universities (16 percent), and other local agencies (2 percent). The overall amount of funds for postsecondary institutions reflects the statutory requirement that 16 percent of the funds be provided through Higher Education Grants to support partnerships between colleges and universities and school districts to provide professional development services for teachers.

¹⁹ Henceforth, funds provided to colleges and universities will be included under "local service providers" (as contrasted with state agencies). Although some postsecondary institutions receive significant state subsidies, they are usually not considered part of the state government.

For IDEA programs, 92 percent of the funds was allocated to local service providers, with 84 percent going to school districts, 1 percent to postsecondary institutions, and 7 percent to other local agencies. The majority of the funds provided to other local agencies was allocated through the IDEA Infants and Toddlers with Disabilities program, which serves children who are below the age normally served by school districts.

For Perkins Vocational Education, 88 percent of the funds was allocated to local service providers. Slightly over half (54 percent) of total funds went to school districts, and about one-third (31 percent) went to postsecondary institutions, which receive formula grants for the Perkins vocational education program based on their share of their state's Pell Grant recipients. Other local agencies received 3 percent of the funds.

For adult education, 91 percent of the funds was allocated to local service providers. School districts received about half (51 percent) of the funds, while postsecondary institutions received 25 percent. Other local agencies received 16 percent of the funds, which partly reflects a statutory requirement that at least 10 percent of the funds must be used for corrections education and for other institutionalized individuals.

For School-to-Work Opportunities programs, 92 percent of the funds was allocated to local service providers. As with vocational and adult education, school districts received half (50 percent) of the funds. A substantial portion of the funds (27 percent) was allocated to other local agencies, particularly "local partnerships" composed of employers, school districts, vocational education institutions, postsecondary institutions, teachers and school administrators, labor organizations, students, and others. Postsecondary institutions received 14 percent of the funds.

Overall, the share of funds that reach local service providers, including school districts, colleges and universities, and community organizations, averaged 96 percent across the 15 largest elementary and secondary programs, and 98 percent for the nine largest programs authorized under the Elementary and Secondary Education Act.

How School Districts Spend Title I Funds

Information on the share of federal education funds used for administration, instruction, and other functions at the school district level is very limited, because obtaining this level of detail is labor-intensive. The Department is conducting a resource allocation study that will investigate the uses of funds for instruction, administration, and other activities in five federal programs: Title I, Title II, Title III, Title IV, Title VI, and Goals 2000 (see Section IV of this report). At this time, however, most information on this topic pertains to Title I, the largest of the federal elementary and secondary education programs. A national survey conducted by Abt Associates for the 1990-91 school year provides information for a nationally representative sample of school districts. More detailed and recent data (1995-96) were provided by Milwaukee, by Rhode Island for 7 of its school districts, and by South Carolina for 33 of its school districts, based on the Coopers & Lybrand Financial Analysis Model.

Table 4
Distribution of Funds for Selected Federal Education Programs, by Agency Type, FY 1995

	FY95 Funding (\$ in millions)	States	School Districts	Colleges & Universities	Other
Title I: Education for the Disadvantaged	\$7,137	1%	98%	*	1%
Grants to LEAs (Basic and Concentration Grants)	\$6,631	1%	99%	*	*
Grants to SEAs for Migrant Children	\$304	2%	91%	3%	4%
Even Start	\$95	4%	82%	2%	11%
Grants to SEAs for Neglected/Delinquent Children	\$39	81%	6%	*	13%
Capital Expenses	\$41	1%	99%	*	0%
School Program Improvement Grants	\$27	8%	78%	5%	10%
Title VII: Impact Aid	\$728	*	100%	*	*
Title IV: Safe & Drug-Free Schools & Communities	\$430	7%	79%	1%	13%
State and Local Agency Programs	\$344	5%	94%	*	1%
Governor's Programs	\$86	18%	16%	4%	63%
Title VI: Innovative Education Program Strategies	\$345	9%	90%	*	*
Title II: Eisenhower Professional Development	\$249	5%	76%	16%	2%
Elementary/Secondary Grants	\$209	5%	91%	2%	2%
Higher Education Grants	\$40	4%	*	92%	3%
Title VII: Bilingual Education	\$117	*	95%	1%	4%
Magnet Schools Assistance	\$111	*	100%	*	*
Indian Education	\$60	*	95%	*	5%
Emergency Immigrant Education	\$50	1%	99%	*	*
Total—ESEA programs	\$9,238	2%	96%	1%	1%
Individuals with Disabilities Education Act (IDEA)	\$2,947	8%	84%	1%	7%
Grants to States	\$2,278	6%	91%	1%	3%
Preschool Grants	\$360	5%	88%	1%	5%
Infants and Toddlers with Disabilities	\$309	32%	13%	4%	50%
Perkins Vocational & Applied Technology Education	\$1,070	12%	54%	31%	3%
Basic Grants to State	\$962	11%	56%	29%	3%
Tech-Prep Education	\$108	16%	34%	46%	4%
Goals 2000	\$358	5%	93%	0%	2%
Adult Education	\$251	9%	51%	25%	16%
School-to-Work Opportunities	\$218	8%	50%	14%	27%
State Development Grants	\$12	39%	45%	7%	8%
State Implementation Grants	\$161	8%	46%	16%	29%
Federal Implementation Grants to Local Partnerships	\$20	*	83%	9%	12%
Urban/Rural Opportunity Grants	\$25	*	52%	12%	36%
Education for Homeless Children and Youth	\$28	7%	88%	2%	3%
Total—all programs	\$14,123	4%	89%	4%	3%

Notes: Asterisk indicates allocations in this category were less than 0.5% of total funds. Percentages do not include funds that were not yet allocated when this data was collected. Totals may not add due to rounding.

Source: U.S. Department of Education analysis of data from Sinclair and Gutmann, *The distribution of federal education funds in FY 1994 and FY 1995: Biennial report to Congress under Section 424 of the General Education Provisions Act*, Washington, DC: U.S. Department of Education, forthcoming in 1998.

Local administration. These data consistently show school districts spending a small percentage of Title I funds on administrative functions (see Table 5). The Abt national survey found that 4 percent of local Title I funds went for administrator salaries. GAO found that administration costs ranged from 6 percent to 13 percent of total spending, with an average of 10 percent. Using the Coopers & Lybrand model, administration accounted for 4 percent to 10 percent of Title I funds.

Instruction. About four-fifths of Title I funds were used for instruction, ranging from a high of 88 percent in the Rhode Island districts to 73 percent in the GAO study. The GAO study also showed substantial variation across its eight districts in the percentage allocated to instruction, ranging from 80 to 90 percent in seven of the districts and dropping to 65 percent in the eighth district.

The uses of these funds for instructional staff and materials varied substantially. The Abt survey found that 55 percent of the funds paid for teacher salaries, 17 percent went to aides, and 8 percent to instructional materials. The Rhode Island districts used 81 percent of their Title I funds for teachers and only 7 percent for aides and instructional materials. In contrast, Milwaukee spent 15 percent of its Title I funds for computers and 7 percent for instructional materials, with 56 percent going to teachers and aides.

Instructional support. This category includes professional development; curriculum and program development; student support services such as guidance counseling, therapists, and social workers; and student health services. The share of Title I funds used for instructional support varied substantially across districts. Rhode Island spent only 2 percent of its funds on instructional support, while Milwaukee and the South Carolina districts spent 15 to 16 percent in this category. GAO also found substantial variation in the amounts used for instructional support, averaging 17 percent but ranging from 6 percent or less in six of the districts up to 14 percent and 22 percent in the two "urban center" districts.²⁰

The types of instructional support activities funded through Title I also varied substantially across districts. Both Milwaukee and the South Carolina districts spent 6 percent of their funds on curriculum and program development, but Milwaukee used more of its Title I funds for professional development (7 percent, compared to 1 percent in the South Carolina districts), whereas the South Carolina districts spent more on student health services (8 percent, compared to less than 1 percent in Milwaukee). All three groups of districts spent 1 to 2 percent of their funds on student support services.

Other expenditures. The less detailed Abt data include a relatively high percentage of funds (13 percent) in this category, which includes salaries for clerical staff and other personnel (4 percent) and other costs such as fixed charges and indirect costs (9 percent). In the South Carolina districts, these expenditures primarily covered building maintenance and utilities (1 percent), while in Milwaukee the funds supported Title I services for students in private schools.

²⁰ The Abt data is probably not comparable for this category, because Abt did not collect information on the amount of funds used for professional development, curriculum and program development, and student health services.

Table 5
Uses of Title I Funds for Administration, Instruction, and Instructional Support

	Abt Associates National Survey	South Carolina (33 districts)	Rhode Island (7 districts)	Milwaukee	GAO
Administration	4%	6%	10%	4%	10%
School management	na	*	1%	*	na
Program management	na	6%	8%	*	na
District management	na	*	*	*	na
Business services	na	*	*	4%	na
Instruction	80%	77%	88%	79%	73%
Instructional staff	72%	70%	84%	56%	na
Teachers	55%	58%	81%	48%	na
Instructional aides	17%	12%	3%	8%	na
Instructional materials & equipment	8%	7%	4%	23%	na
Instructional materials	na	6%	4%	7%	na
Pupil technology	na	1%	*	16%	na
Instructional support	3%	16%	2%	15%	17%
Professional development	na	1%	1%	7%	na
Curriculum and program development	na	6%	*	6%	na
Student support (guidance counseling, therapists, & social workers)	3%	1%	1%	2%	na
Student health services	na	8%	*	*	na
Other	13%	1%	*	3%	na
Clerical & other personnel	4%	na	*	na	na
Fixed & indirect costs	9%	na	*	na	na
Building maintenance & utilities	na	1%	*	0%	na
Services for students in private schools	na	0%	*	3%	na

Notes: Asterisk indicates spending in this category was less than 0.5% of total funds. The notation "na" indicates data was not reported for this category. Totals may not add due to rounding.

Sources: Millsap, Turnbull, Moss, Brigham, Gamse, & Marks (1992), *The Chapter 1 implementation study: Interim report*; U.S. Department of Education analysis of data provided by the South Carolina Department of Education, the Rhode Island Department of Education, and the Milwaukee Public Schools; and U.S. General Accounting Office (1992), *Compensatory education: Most Chapter 1 funds in eight districts used for classroom services*.

How School Districts Spend Other Federal Program Funds

South Carolina provides information on a larger set of federal programs than the original Coopers & Lybrand model, which provides a separate breakout only for Title I. As summarized in Table 6, these data show that administration accounted for 8 percent of total spending across all of the federal programs reported, including Title I (6 percent), Safe and Drug-Free Schools (10 percent), IDEA special education (16 percent), Perkins vocational education (3 percent), and "other" federal programs (8 percent). Instruction and instructional support accounted for 88 percent of total spending across all of the federal programs reported, including Title I (93 percent), Safe and Drug-Free Schools (86 percent), IDEA special education (83 percent), Perkins vocational education (97 percent), and other federal programs (86 percent).

Table 6
Uses of Federal Funds in 33 South Carolina School Districts

	Title I	Safe and Drug-Free Schools	IDEA Special Education	Perkins Vocational Education	Other Federal Programs	All Federal Programs
Administration	6%	10%	16%	3%	7%	8%
Instruction	77%	5%	43%	55%	52%	59%
Instructional staff	70%	4%	40%	32%	43%	51%
Instructional materials	6%	1%	3%	14%	7%	6%
Pupil technology	1%	*	*	9%	2%	1%
Instructional support	16%	81%	40%	42%	34%	29%
Professional development	1%	2%	*	1%	3%	2%
Curriculum and program development	6%	45%	10%	6%	9%	9%
Library media	*	2%	*	*	2%	1%
Student support (guidance counseling, therapists, and social workers)	1%	13%	19%	35%	6%	8%
Student health services	8%	19%	11%	*	13%	10%
Other	1%	3%	1%	*	7%	3%
Building maintenance and utilities	1%	1%	1%	*	1%	1%
Transportation	*	*	*	*	*	*
Food services	*	*	*	*	5%	2%
Other (student safety, extracurricular activities, and capital projects)	*	2%	*	*	*	*

Notes: Asterisk indicates spending in this category was less than 0.5% of total funds. Totals may not add due to rounding.

Source: U.S. Department of Education analysis of data provided by the South Carolina State Department of Education.

These data show that across all of the federal programs reported, instruction accounted for 59 percent of total spending, followed by instructional support (29 percent), administration (8 percent), and other expenses (3 percent). The percentage allocated to instruction was highest for Title I (77 percent) and lowest for Safe and Drug-Free Schools (5 percent). In contrast, Safe and Drug-Free Schools spent the highest share on instructional support (81 percent), with over half of those funds going for curriculum development. When instruction and instructional support are combined, they accounted for more than 80 percent of spending in each of the programs, ranging from 83 percent in IDEA special education to 93 percent in Title I. Administrative spending varied considerably across these programs, from 3 percent in Perkins vocational education and 6 percent in Title I to 16 percent in IDEA special education.

Share of School District Funds that Reaches the School and Classroom Levels

Limited information is currently available on the amount of federal funds that reaches the school or classroom level. Tracking funds to the school level can be complex, as some staff have responsibilities at more than one school or divide their time between school-level and central office responsibilities. Also, in many cases, programs and services that directly affect individual schools (such as preschool, summer school, and professional development) may be accounted for centrally. While some districts have accounting systems that track federal program expenditures to the school level, these data are not consistently defined across school districts and are not routinely reported to the federal government.

Based on data from the Coopers & Lybrand Financial Analysis Model, an early analysis of eight school districts in 1990-91 (prior to full development of the model) found that the share of total school district expenditures that reached the school level ranged from 80 percent to 94 percent.²¹ More recent data from five school districts show a fairly consistent percentage of funds reaching the school level (ranging from 83 percent to 88 percent).²² Similarly, a Coopers & Lybrand report found that New York City spent about 81 percent of total funding at the school level in the 1993-94 school year.

Although the Coopers & Lybrand model has the capability to show the percentage of Title I funds that reach the school level, most districts using the model have not yet fully implemented that feature (choosing to focus first on implementing the model for expenditures for the "regular" education program). Detailed data provided by the Milwaukee Public Schools indicate that school-level expenditures accounted for 90 percent of their Title I funds in 1995-96 (compared to 84 percent of their general education funds). Title I funds used at the school level were used primarily for instruction (79 percent of total expenditures) and instructional support, including professional development, program development, guidance counselors, and therapists (12 percent). In contrast,

²¹The same analysis also found that, on average, slightly more than half of administrative expenditures in these school districts occurred at the school level (an average of 7 percent of total expenditures, compared to 5 percent at the central office level).

²²The percentages of total funds used at the school level in each district were: Omaha, Nebraska (83 percent), Upper St. Clair, Pennsylvania (84 percent), Milwaukee, Wisconsin (86 percent), Harford County, Maryland (87 percent), and Bensenville Elementary, Illinois (88 percent).

general education funds used at the school level included somewhat smaller percentages for instruction (50 percent) and instructional support (6 percent), with the remaining funds going to building maintenance and utilities (10 percent), school administration (8 percent), transportation (5 percent), and food services (4 percent).

In Milwaukee, Title I funds used at the district level were divided about evenly among program administration (4 percent), program development (3 percent), and services for private school students (3 percent). General education funds spent at the district level were primarily used for construction (5 percent), district administration (4 percent), tuition payments and other costs of the Milwaukee voucher program (3 percent), and building maintenance and utilities (2 percent).

These and other findings suggest that a greater share of federal funds actually reaches the classroom, compared to state and local funds. Data provided by Milwaukee and by Rhode Island for seven of its school districts using the Coopers & Lybrand model indicate that these districts used 79 percent and 88 percent, respectively, of their Title I funds for instruction, compared to 50 percent and 61 percent, respectively, of their general education funds (see Table 7). Instruction and instructional support together account for 94 percent of Title I funds in Milwaukee and 91 percent in the Rhode Island districts, compared to 57 percent of general education funds in Milwaukee, and 69 percent in the Rhode Island districts. This is not surprising, because school districts have a number of costs that are not covered by Title I or other federal education programs, including facilities maintenance and utilities, capital expenditures, and student transportation (which collectively account for 26 percent of general education funds in Milwaukee and 20 percent in the Rhode Island districts).

Similarly, the GAO found, in its in-depth study of eight school districts,²³ that these districts devoted 73 percent of Chapter 1 funds to classroom services, compared to 62 percent of state and local funds. These eight districts used about the same percentage of funds for administrative purposes in their Chapter 1 programs as in the district as a whole (10 percent of Chapter 1 funds and 11 percent of total district funds). The remaining funds were used for instructional support services, including professional development, curriculum development, and guidance counselors (17 percent of Chapter 1 funds and 27 percent of total district funds).

²³The eight districts included three in Michigan (Detroit, Dearborn, and Grand Rapids), two in North Carolina (Wake County and New Bern-Craven County), two in Colorado (Colorado Springs and Northglenn-Thornton), and one in Florida (Dade County).

Table 7
Comparison of Spending for Title I and General Education
in Milwaukee and Seven Districts in Rhode Island, 1995-96

	Title I		General Education	
	Milwaukee	Rhode Island districts	Milwaukee	Rhode Island districts
Administration	4%	10%	12%	10%
School management	*	1%	8%	7%
Program management	*	8%	1%	*
District management	*	*	*	2%
Business services	4%	*	3%	1%
Instruction	79%	88%	50%	61%
Instructional staff	56%	84%	47%	59%
Instructional materials	16%	4%	*	2%
Pupil technology	7%	*	3%	1%
Instructional support	15%	3%	7%	8%
Professional development	6%	2%	1%	1%
Curriculum and program development	7%	*	1%	*
Library media	*	*	1%	3%
Student support (guidance counseling, therapists, social workers, health, & safety)	2%	1%	3%	4%
Other current expenditures	3%	*	26%	20%
Building maintenance and utilities	*	*	12%	11%
Transportation	*	*	5%	4%
Food services	*	*	4%	2%
Services for students in private schools	3%	*	3%	1%
Other (retiree benefits, sabbaticals, legal obligations, contingencies, enterprise operations, & extracurricular activities)	*	*		
			2%	1%
Capital expenditures	*	*	5%	1%

Notes: Asterisk indicates spending in this category was less than 0.5%. Totals may not add due to rounding.

Source: U.S. Department of Education analysis of data provided by the Milwaukee Public Schools and the Rhode Island Department of Education.

The above figures on the percentages of total district spending used for instruction and administration are similar to NCES data for the nation as a whole (see Table 8). On average, school districts nationally spent 62 percent of their funds (in current expenditures) on instruction and 11 percent on administration (including general administration, school administration, and business services). The remaining funds were used for instructional support services and student services (9 percent), facilities maintenance and utilities (10 percent), transportation (4 percent), and food services (4 percent).

Table 8
Expenditures for Public Elementary and Secondary Education, by Function, 1994-95

	Expenditures	Percent of Current Expenditures	Percent of Total Expenditures
Administration	\$26,589,073	11%	10%
General administration	\$5,731,462	2%	2%
School administration	\$14,149,344	6%	5%
Business services	\$6,708,268	3%	2%
Instruction	\$150,521,920	62%	54%
Instructional support	\$21,334,052	9%	8%
Instructional support services	\$9,654,714	4%	3%
Student services	\$11,679,338	5%	4%
Other current expenditures	\$45,399,600	19%	16%
Plant operations and maintenance	\$24,543,091	10%	9%
Student transportation	\$9,889,137	4%	4%
Food services	\$10,266,321	4%	4%
Enterprise operations	\$701,051	*	*
Current expenditures	\$243,844,646		87%
Capital expenditures	\$29,972,506		11%
Capital outlay	\$24,453,851		9%
Interest on school debt	\$5,518,655		2%
Total expenditures	\$278,965,657		

Notes: Business services include payroll, purchasing, personnel functions, information systems, and data processing. Instructional support services include staff development, curriculum development, libraries, and computer centers. Student services include health, attendance, and guidance counselors. Enterprise operations include activities funded by sales of products or services (e.g., school bookstore, computer time). Totals may not add due to rounding.

Source: National Center for Education Statistics, *Digest of education statistics: 1997*, Table 163.

Share of Federal Elementary and Secondary Education Funds that Reaches School Districts, Schools, and Other Service Providers

Based on the above findings, we can estimate the total share of the federal K-12 education dollar that reaches school districts and other service providers. Funds spent at the federal and state levels account for about 4.5 percent of total funding for elementary and secondary education programs administered by the U.S. Department of Education. About 0.5 percent is spent at the federal level to support program administration, research, and leadership activities. About 4.0 percent is spent by state agencies to support program administration, technical assistance for school districts and other service providers, development of standards and assessments, and other state-level activities.

Thus, the remaining 95.5 percent of federal elementary and secondary education funds is spent at the local level by school districts and other service providers. About 88.5 percent of the funds goes to school districts, 3.5 percent goes to colleges and universities, and 3.4 percent goes to community agencies and other service providers.

Although limited information is available on the share of federal education funds that reaches the school or classroom level, we can make rough estimates about the share that is used for instruction and services that directly support instruction. Title I data provided by a variety of sources (GAO, South Carolina, Rhode Island, and Milwaukee) suggest that about 90 to 94 percent of district Title I funds are used for instruction and instructional support. Applying the previous estimates that 0.5 percent of total U.S. Department of Education funds are used at the federal level and 1 percent of state Title I funds are used at the state level, we can estimate that 88 to 92 percent of funds used for Title I are used for instruction and instructional support.

Less information is available for federal programs other than Title I, but data provided by South Carolina for 33 of its school districts suggest that 88 percent of all federal education funds in these districts are used for instruction and instructional support. Applying the previous estimate that 4.5 percent of all federal elementary and secondary funds is used at the federal and state levels, we can estimate that about 84 percent of federal elementary and secondary education funds is used for instruction and instructional support.

It is important to keep in mind that funds that are used for activities and services other than instruction and instructional support are not necessarily funds that are "wasted" by the education bureaucracy. School meals for disadvantaged students, violence and drug prevention efforts, and repairs and upgrades to school facilities help to remove impediments to learning and may enable students to focus more productively on learning. And strong leadership is as important to the effectiveness of education as it is in business and other public- and private-sector enterprises. While spending federal and other education funds on administration does not guarantee effective leadership, neither does it mean that these funds are being diverted from activities that improve the quality and effectiveness of education for American students.

IV. CONTINUING WORK ON ADMINISTRATIVE SPENDING

A number of ongoing studies and projects promise to provide more complete data on administrative spending for a wider variety of federal education programs and for a larger sample of districts and schools. These include a study of how federal education funds are used at the state, district, and school levels, collection of annual data on state uses of Title I funds for state administration, expanding implementation of the Coopers & Lybrand Financial Analysis Model, and NCES work to develop school-level reporting systems on administrative and other spending.

Inspector General's Audit of Educational Disbursements to LEAs

The Department of Education's Office of the Inspector General is currently conducting an audit to determine the percentage of Title I and Vocational Education funds reach the school level, and the types of expenditures for these programs at the district and school levels. The audit is based on a random sample of 36 school districts in six states. The audit is examining the amounts of funds used for schools (including salaries, benefits, and professional development for teachers and aides, supplies and equipment used in the classroom, and parental involvement programs), for program administration, and for indirect costs. The report is scheduled to be released in late spring 1998.

Targeting and Resource Allocation Study

This study will examine the distribution and uses of federal education funds at the state, school district, and school levels for six of the Department's largest elementary and secondary education programs: Title I: Helping Disadvantaged Children Meet High Standards, Title II: Eisenhower Professional Development Program, Title III: Technology Literacy Challenge Fund, Title IV: Safe and Drug-Free Schools and Communities, Title VI: Innovative Education Program Strategies, and Goals 2000: Educate America Act. Study questions relating to the use of these funds for administrative activities include:

- What percentage of the funds are retained at the state and district levels for administrative and other purposes, and how much of the funds reach the school level? What do these funds buy (e.g., technical assistance, professional development, development of standards and assessments, program evaluation, and overhead or indirect costs)?
- What percentage of program funds are spent on salaries and benefits for teachers, aides, administrators, counselors and other certified staff, and clerical staff; instructional materials; technology; assessment; and other costs?
- How does the consolidation of state administrative funds from federal programs affect the allocation and use of these funds? Does the consolidation of administrative funds lead to more integration and coordination across programs?

This information will be obtained through a review of budget and administrative records, supplemented by resource allocation forms that ask school, district, and state staff to identify: (1) the responsibilities of staff paid through federal funds and (2) purchases and uses of nonstaffing

resources that may not be clearly identified in budget and administrative records. Data collection is planned for the spring of 1998, with a final report in early 1999.

Collection of Annual Data On State Uses of Title I Funds for State Administration

As required under Section 14204(a)(2) of ESEA, the Department will collect information on states' uses of Title I funds for state administration through the annual Title I state performance reports. This report asks each state to report the proportion of Title I state administrative funds spent on: (1) basic program operation and compliance monitoring; (2) statewide program services such as development of standards and assessments, curriculum development, and program evaluation; and (3) technical assistance and other direct support to local educational agencies and schools. The first data collection will take place during the 1997-98 school year.

Expanded Implementation of the Coopers & Lybrand Financial Analysis Model

As this model is implemented in a wider range of school districts, it will enable analysis of the use of Title I funds for administrative and other functions for a larger sample of districts. NCES is considering the possibility of becoming a repository for these data, which would make the data more easily accessible for analysis and benchmarking.

NCES Development of School-level Reporting Systems

NCES is continuing work on models for obtaining school-level data on spending for administration, instruction, and other functions. Options currently being explored include (1) the addition of school financial information to its Schools and Staffing Survey data collection, (2) collecting and disseminating data from school districts that use the Coopers & Lybrand model, and (3) using the NCES web page to "point" users to state websites that contain school-level finance data. This work may yield information about appropriate or typical levels of spending on administration and other functions in different types of school districts, which may help school districts and communities identify potential areas where administrative expenses might be reduced.

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